

**Rating: BUY | CMP: Rs316 | TP: Rs380**

August 3, 2021

## Q1FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current FY22E	Previous FY23E	Current FY22E	Previous FY23E
Rating	BUY	BUY		
Target Price	380	367		
Sales (Rs. m)	7,151	21,719	11,648	21,178
% Chng.	(38.6)	2.6		
EBITDA (Rs. m)	1,415	7,003	3,357	6,809
% Chng.	(57.9)	2.8		
EPS (Rs.)	(17.1)	16.4	(5.6)	16.5
% Chng.	NA	(0.7)		

### Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	18,974	1,059	7,151	21,719
EBITDA (Rs. m)	5,968	498	1,415	7,003
Margin (%)	31.5	47.0	19.8	32.2
PAT (Rs. m)	150	(3,336)	(2,088)	2,005
EPS (Rs.)	1.5	(29.7)	(17.1)	16.4
Gr. (%)	(89.2)	NA	NA	NA
DPS (Rs.)	1.0	-	-	1.0
Yield (%)	0.3	-	-	0.3
RoE (%)	2.4	NA	NA	32.7
RoCE (%)	10.0	NA	NA	12.4
EV/Sales (x)	3.2	59.3	9.2	3.0
EV/EBITDA (x)	10.0	126.2	46.7	9.4
PE (x)	215.8	NA	NA	19.2
P/BV (x)	5.2	5.6	9.1	6.3

### Key Data

	INOL.BO   INOL IN
52-W High / Low	Rs.359 / Rs.228
Sensex / Nifty	53,823 / 16,131
Market Cap	Rs.39bn/ \$ 520m
Shares Outstanding	122m
3M Avg. Daily Value	Rs.336.23m

### Shareholding Pattern (%)

Promoter's	43.77
Foreign	16.44
Domestic Institution	25.55
Public & Others	14.24
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	1.2	(6.2)	37.8
Relative	(1.3)	(12.5)	(5.5)

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### Interval to end soon

#### Quick Pointers:

- Out of 648 screens, 459 have permission to re-open and 201 have actually opened.
- As of 31<sup>st</sup> July, Inox had access to ~Rs4bn of liquidity (including undrawn limit of Rs1.2bn). Gross debt stands at Rs1.1bn.

***INOL's operational performance was subdued with Ind-AS adjusted EBITDA loss of Rs1bn due to paucity of content and intermittent closures. However, with declining COVID cases, staggered re-opening is on the cards (31% of the screen portfolio is already operational) and footfalls are likely to stabilize by 2HFY22. Though emergence of 2nd wave has delayed the recovery process warranting a substantial cut in our FY22 EBITDA estimates we remain constructive over the long term as content pipeline is strong (~25 Bollywood & equal number of Hollywood movies are ready for release) which is expected to result in bunching up of releases post re-opening. Further, we believe narrowing window gaps and higher distributor pay-outs are stop gap arrangements and not structural risks that are likely to prevail post-COVID. We thus maintain BUY with a revised TP of Rs380 (earlier Rs367), valuing the stock at 10.5x (earlier 10x) FY23 EBITDA. INOL's low gearing (net cash BS), the ongoing vaccination drive (eliminates fear psychosis which was present in 1<sup>st</sup> wave), encouraging ATP/SPH trends (higher/similar to pre-COVID levels for fresh content) and stringent cost control gives us additional comfort until normalcy resumes.***

**Intermittent cinema closure impacts recovery:** INOL's top-line increased to Rs223mn (PLe Rs213mn) in 1QFY22 (negligible in base quarter due to outright shutdown) given limited fresh content and intermittent closures. Except for a few regional releases, there was dearth of fresh content dragging footfalls to 0.8mn. ATP/SPH stood at Rs173/Rs78 respectively. NBOC/F&B/Advertisement/Other revenues stood at Rs120mn/Rs60mn/Rs4mn/Rs38mn respectively in 1QFY22.

**Ind-AS adjusted EBITDA loss stood at Rs1bn:** Ind-AS adjusted EBITDA loss stood at Rs1bn (PLe loss of Rs1.2bn) in comparison with Ind-AS adjusted EBITDA loss of Rs376mn in 1QFY21. While operational fixed cost increased on YoY basis due to outright closure in 1QFY21 (low base); sequentially except for rent & CAM, all major cost heads witnessed a decline.

**Con-call highlights:** 1) Despite key markets of Maharashtra (~20-22% share in collection for Hindi movies) & TN being shut, Bell Bottom is expected to release on 19<sup>th</sup> Aug 2) Bollywood & Hollywood content pipeline is strong with ~25 movies in each genre being ready for release 3) August is expected to witness some big ticket Hollywood releases like Suicide Squad, The Conjuring, Fast & Furious-9 and Reminiscence 4) Rent & CAM is renegotiated for ~65% of the properties 5) For the benefit of exhibitors, Gujarat state government has waived off minimum demand for electricity and property tax 6) Target is to open 49 screens in FY22E (5 already opened). For 19 new screens, where 90% work is complete, additional capex required would be Rs80-100mn. Management will take a call to open balance 25 screens depending on the situation (capex required would be Rs650mn) 7) Shooting schedules have resumed normalcy (no future pipeline risk).

## Exhibit 1: Consolidated result overview (Rs mn)

Y/e March	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
<b>Net sales</b>	<b>223</b>	<b>3</b>	<b>8824.0%</b>	<b>904</b>	<b>-75.3%</b>
Movie exhibition cost	58	-	NM	235	-75.3%
As a % of sales	26%	0.0%		26.0%	
Consumption of F&B	14	-	NM	68	-79.2%
As a % of sales	6%	0.0%		7.5%	
Employee expenses	246	243	1.3%	259	-5.1%
As a % of sales	110%	9720.0%		28.7%	
Other expenses	195	(574)	NM	480	-59.4%
As a % of sales	87%	NM		53.0%	
<b>EBITDA</b>	<b>(290)</b>	<b>334</b>	<b>NM</b>	<b>(137)</b>	<b>NM</b>
<b>EBITDA margin</b>	<b>NM</b>	<b>NM</b>		<b>NM</b>	
Depreciation	729	708	3.0%	701	4.0%
<b>EBIT</b>	<b>(1,019)</b>	<b>(374)</b>	<b>NM</b>	<b>(838)</b>	<b>NM</b>
<b>EBIT margin</b>	<b>NM</b>	<b>NM</b>		<b>NM</b>	
Interest cost	645	633	1.8%	617	4.4%
Other income	32	27	17.7%	286	-88.9%
Exceptional items	-	-	NM	41	NM
<b>PBT</b>	<b>(1,632)</b>	<b>(979)</b>	<b>NM</b>	<b>(1,210)</b>	<b>NM</b>
Tax expenses	(409)	(243)	NM	(274)	NM
Tax rate	NM	NM		NM	
<b>PAT</b>	<b>(1,223)</b>	<b>(737)</b>	<b>NM</b>	<b>(937)</b>	<b>NM</b>
<b>PAT margin</b>	<b>NM</b>	<b>NM</b>		<b>NM</b>	
Non-controlling interest	-	-	NM	-	NM
Other comprehensive income (OCI)	4	5	-11.1%	5	-25.9%
<b>PAT inclusive of OCI</b>	<b>(1,219)</b>	<b>(732)</b>	<b>NM</b>	<b>(932)</b>	<b>NM</b>
<b>EPS (Rs)</b>	<b>(10.7)</b>	<b>(7.5)</b>	<b>NM</b>	<b>(8.4)</b>	<b>NM</b>

Source: Company, PL

## Exhibit 2: Revenue Mix (Rs mn)

Particulars	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
NBOC	120	-	NM	490	-75.5%
As a % of sales	54.0%	0.0%		54.2%	
Net F&B	60	-	NM	240	-75.0%
As a % of sales	27.0%	0.0%		26.6%	
Advertisement revenue	4	-	NM	20	-80.0%
As a % of sales	1.8%	0.0%		2.2%	
Other operating income	38	3	1424.0%	154	-75.2%
As a % of sales	17.2%	100.0%		17.0%	
<b>Total sales</b>	<b>222</b>	<b>3</b>	<b>8784.0%</b>	<b>904</b>	<b>-75.4%</b>

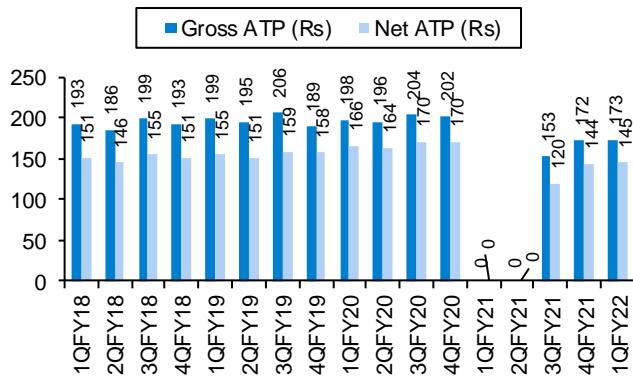
Source: Company, PL

## Exhibit 3: Ind AS adjusted financials

Particulars (Rs mn)	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.	FY21E	FY22E	FY23E
Sales	223	3	8824.0%	904	-75.3%	1,059	7,151	21,719
Ind-AS Adjusted EBITDA	(1,070)	(376)	NM	(887)	NM	(2,462)	(1,634)	3,877
<i>Ind-AS Adjusted EBITDA margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	<i>17.8%</i>
Ind-AS Adjusted PAT	(1,013)	(517)	NM	(747)	NM	(2,567)	(2,088)	2,005
<i>Ind-AS Adjusted PAT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	<i>9.2%</i>

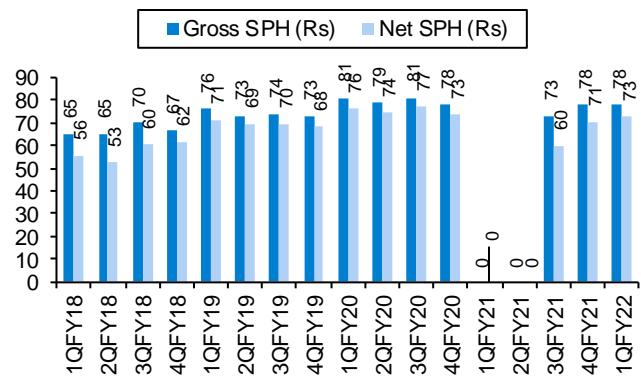
Source: Company, PL

## Exhibit 4: Gross/Net ATP trend over the last few quarters



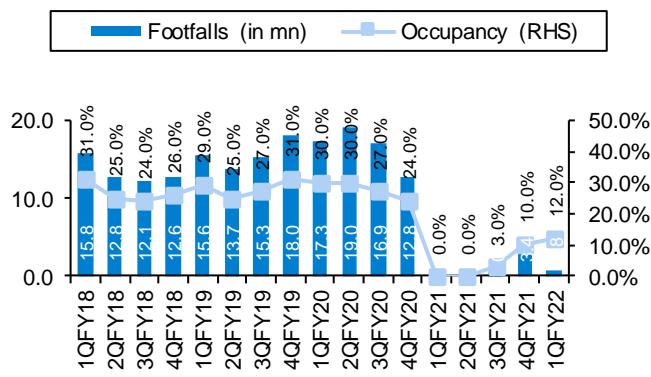
Source: Company, PL

## Exhibit 5: Gross/Net SPH trend over the last few quarters



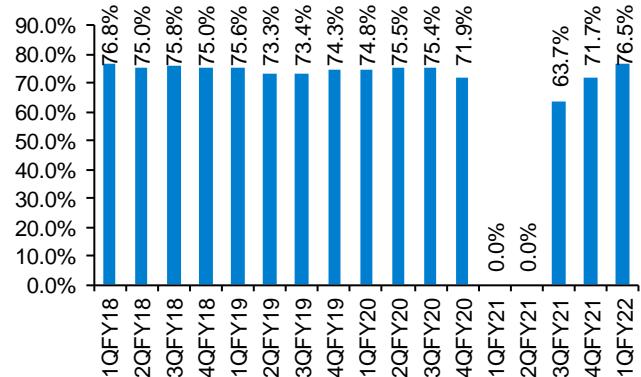
Source: Company, PL

## Exhibit 6: Footfalls are volatile, driven by content

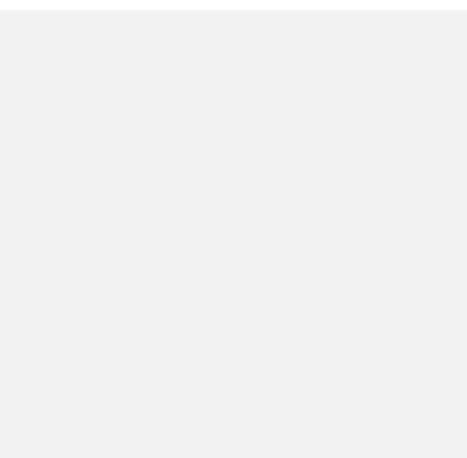


Source: Company, PL

## Exhibit 7: F&amp;B GM trend in last few quarters



Source: Company, PL



**Exhibit 8: Relative valuation EV/EBITDA**

Particulars	FY23E*
EV/EBITDA	10.5
EBITDA	7,003
EV	73,529
Less: Debt	28,474
Add: Cash	1,400
Equity Value	46,455
No of shares	122
Per share value (Rs)	380

Source: PL \*IndAS 116 compliant projections; lease liability is considered as debt

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>18,974</b>	<b>1,059</b>	<b>7,151</b>	<b>21,719</b>
YoY gr. (%)	12.1	(94.4)	575.1	203.7
Cost of Goods Sold	6,227	343	2,622	7,024
<b>Gross Profit</b>	<b>12,748</b>	<b>717</b>	<b>4,529</b>	<b>14,696</b>
Margin (%)	67.2	67.6	63.3	67.7
Employee Cost	1,421	867	1,001	1,651
Other Expenses	5,359	(648)	2,113	6,042
<b>EBITDA</b>	<b>5,968</b>	<b>498</b>	<b>1,415</b>	<b>7,003</b>
YoY gr. (%)	93.1	(91.7)	184.2	395.1
Margin (%)	31.5	47.0	19.8	32.2
Depreciation and Amortization	2,642	2,832	2,724	2,813
<b>EBIT</b>	<b>3,327</b>	<b>(2,334)</b>	<b>(1,310)</b>	<b>4,190</b>
Margin (%)	17.5	NA	NA	19.3
Net Interest	2,212	2,511	1,624	1,683
Other Income	172	423	143	174
<b>Profit Before Tax</b>	<b>1,286</b>	<b>(4,464)</b>	<b>(2,791)</b>	<b>2,680</b>
Margin (%)	6.8	NA	NA	12.3
Total Tax	1,136	(1,087)	(703)	675
Effective tax rate (%)	88.3	NA	NA	25.2
<b>Profit after tax</b>	<b>150</b>	<b>(3,377)</b>	<b>(2,088)</b>	<b>2,005</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>150</b>	<b>(3,336)</b>	<b>(2,088)</b>	<b>2,005</b>
YoY gr. (%)	(89.2)	NA	NA	NA
Margin (%)	0.8	NA	NA	9.2
Extra Ord. Income / (Exp)	-	(41)	-	-
<b>Reported PAT</b>	<b>150</b>	<b>(3,377)</b>	<b>(2,088)</b>	<b>2,005</b>
YoY gr. (%)	(88.8)	NA	NA	NA
Margin (%)	0.8	NA	NA	9.2
Other Comprehensive Income	(13)	13	-	-
Total Comprehensive Income	137	(3,364)	(2,088)	2,005
<b>Equity Shares O/s (m)</b>	<b>103</b>	<b>112</b>	<b>122</b>	<b>122</b>
<b>EPS (Rs)</b>	<b>1.5</b>	<b>(29.7)</b>	<b>(17.1)</b>	<b>16.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>35,363</b>	<b>37,573</b>	<b>38,414</b>	<b>40,953</b>
Tangibles	35,142	37,380	38,215	40,750
Intangibles	221	194	199	204
<b>Acc: Dep / Amortization</b>	<b>4,107</b>	<b>6,939</b>	<b>9,663</b>	<b>12,476</b>
Tangibles	3,970	6,802	9,526	12,339
Intangibles	137	137	137	137
<b>Net fixed assets</b>	<b>31,256</b>	<b>30,634</b>	<b>28,751</b>	<b>28,477</b>
Tangibles	31,172	30,578	28,689	28,411
Intangibles	84	56	61	66
Capital Work In Progress	854	570	570	570
Goodwill	175	175	175	175
Non-Current Investments	1,969	1,914	1,968	2,129
Net Deferred tax assets	1,773	2,840	1,988	3,181
Other Non-Current Assets	385	290	385	431
<b>Current Assets</b>				
Investments	10	4	4	4
Inventories	137	103	59	179
Trade receivables	628	43	333	1,190
Cash & Bank Balance	447	774	903	1,400
Other Current Assets	431	490	572	608
<b>Total Assets</b>	<b>38,154</b>	<b>37,843</b>	<b>35,731</b>	<b>38,412</b>
<b>Equity</b>				
Equity Share Capital	1,027	1,125	1,125	1,125
Other Equity	5,192	5,205	3,117	5,000
<b>Total Networth</b>	<b>6,219</b>	<b>6,329</b>	<b>4,242</b>	<b>6,125</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	26,819	27,874	28,374	28,374
Provisions	179	167	179	217
Other non current liabilities	665	577	644	434
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,026	200	100	100
Trade payables	1,295	1,054	490	1,369
Other current liabilities	1,877	1,576	1,633	1,720
<b>Total Equity &amp; Liabilities</b>	<b>38,154</b>	<b>37,843</b>	<b>35,731</b>	<b>38,412</b>

Source: Company Data, PL Research

Cash Flow (Rs m)					Key Financial Metrics				
Y/e Mar	FY20	FY21	FY22E	FY23E	Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	150	(3,377)	(2,791)	2,680	EPS	1.5	(29.7)	(17.1)	16.4
Add. Depreciation	2,642	2,832	2,724	2,813	CEPS	27.2	(4.5)	5.2	39.4
Add. Interest	2,212	2,511	1,624	1,683	BVPS	60.6	56.3	34.7	50.1
Less Financial Other Income	172	423	143	174	FCF	26.0	(17.0)	11.1	18.8
Add. Other	977	(3,524)	741	(1,484)	DPS	1.0	-	-	1.0
Op. profit before WC changes	5,981	(1,558)	2,299	5,693	Return Ratio(%)				
Net Changes-WC	(726)	200	(808)	(176)	RoCE	10.0	NA	NA	12.4
Direct tax	(513)	49	703	(675)	ROIC	15.6	1.3	4.0	18.2
<b>Net cash from Op. activities</b>	<b>4,742</b>	<b>(1,308)</b>	<b>2,194</b>	<b>4,841</b>	RoE	2.4	NA	NA	32.7
Capital expenditures	(2,070)	(601)	(841)	(2,539)	Balance Sheet				
Interest / Dividend Income	14	27	-	-	Net Debt : Equity (x)	4.4	4.3	6.5	4.4
Others	(74)	(642)	-	-	Net Working Capital (Days)	(10)	(313)	(5)	-
<b>Net Cash from Invt. activities</b>	<b>(2,130)</b>	<b>(1,216)</b>	<b>(841)</b>	<b>(2,539)</b>	Valuation(x)				
Issue of share cap. / premium	-	-	-	-	PER	215.8	NA	NA	19.2
Debt changes	(2,099)	(540)	500	-	P/B	5.2	5.6	9.1	6.3
Dividend paid	-	-	-	-	P/CEPS	11.6	NA	60.5	8.0
Interest paid	(111)	(158)	(1,624)	(1,683)	EV/EBITDA	10.0	126.2	46.7	9.4
Others	(119)	2,897	(100)	(122)	EV/Sales	3.2	59.3	9.2	3.0
<b>Net cash from Fin. activities</b>	<b>(2,328)</b>	<b>2,199</b>	<b>(1,224)</b>	<b>(1,805)</b>	Dividend Yield (%)	0.3	-	-	0.3
<b>Net change in cash</b>	<b>284</b>	<b>(325)</b>	<b>129</b>	<b>497</b>	Source: Company Data, PL Research				
Free Cash Flow	2,669	(1,910)	1,354	2,302					

Source: Company Data, PL Research

Quarterly Financials (Rs m)				
Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Net Revenue</b>	<b>4</b>	<b>149</b>	<b>904</b>	<b>223</b>
YoY gr. (%)	(99.9)	(97.1)	(75.7)	8,824.0
Raw Material Expenses	-	40	303	72
Gross Profit	4	109	602	151
Margin (%)	100.0	73.1	66.5	67.6
<b>EBITDA</b>	<b>406</b>	<b>(105)</b>	<b>(137)</b>	<b>(290)</b>
YoY gr. (%)	(75.8)	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Depreciation / Depletion	714	709	701	729
<b>EBIT</b>	<b>(309)</b>	<b>(814)</b>	<b>(838)</b>	<b>(1,019)</b>
Margin (%)	NA	NA	NA	NA
Net Interest	641	620	617	645
Other Income	43	66	286	32
<b>Profit before Tax</b>	<b>(906)</b>	<b>(1,368)</b>	<b>(1,210)</b>	<b>(1,632)</b>
Margin (%)	NA	NA	NA	NA
Total Tax	(228)	(343)	(274)	(409)
Effective tax rate (%)	25.2	25.1	22.6	25.1
<b>Profit after Tax</b>	<b>(678)</b>	<b>(1,025)</b>	<b>(937)</b>	<b>(1,223)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(678)</b>	<b>(1,025)</b>	<b>(896)</b>	<b>(1,223)</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	(41)	-
<b>Reported PAT</b>	<b>(678)</b>	<b>(1,025)</b>	<b>(937)</b>	<b>(1,223)</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Other Comprehensive Income	6	(3)	5	4
<b>Total Comprehensive Income</b>	<b>(673)</b>	<b>(1,028)</b>	<b>(932)</b>	<b>(1,219)</b>
Avg. Shares O/s (m)	103	113	112	122
<b>EPS (Rs)</b>	<b>(6.7)</b>	<b>(9.6)</b>	<b>(8.4)</b>	<b>(10.7)</b>

Source: Company Data, PL Research

## Price Chart



## Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-21	BUY	367	323
2	24-Jun-21	BUY	368	318
3	30-Apr-21	BUY	368	276
4	07-Apr-21	BUY	390	276
5	04-Feb-21	BUY	397	330
6	11-Jan-21	BUY	393	346
7	06-Nov-20	BUY	322	267
8	09-Oct-20	Accumulate	323	281
9	06-Aug-20	Accumulate	262	235

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	193	183
3	Indian Railway Catering and Tourism Corporation	BUY	2,329	2,169
4	Inox Leisure	BUY	367	323
5	Music Broadcast	Hold	24	25
6	Navneet Education	Accumulate	92	98
7	PVR	BUY	1,625	1,400
8	S Chand and Company	BUY	146	113
9	V.I.P. Industries	Accumulate	374	342
10	V.I.P. Industries	UR	-	418
11	Zee Entertainment Enterprises	BUY	278	219

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

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We/I, Mr. Jinesh Joshi- MS(Finance) and CFA, Ms. Shweta Shekhawat- MBA Finance & MCom Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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